

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Bond yields rose last week after a hawkish Federal Reserve meeting combined with strong labour market data
- This week sees the US revise its gross domestic product (GDP) estimates from as early as Q1 2005 which will inform future GDP expectations
- Inflation will be in focus this week with the US, Euro Area and Japan all releasing important data

Risk appetite improved yesterday with the US equity market enjoying its broadest rally of September so far. Small cap US equities, which have underperformed their larger cap equivalents in 2023, outperformed on the day. European equities and UK equities also posted strong returns.

These rallies within equity markets happened despite the oil price continuing to grind higher. Brent Crude, the international oil benchmark, hit another year to date closing high of US\$93 with the price now above US\$94 today. The first order impact of this will be US gasoline prices which will continue to make the September month-on-month headline inflation numbers challenging. Other commodity prices may also be impacted by the El Nino event which is now expected to be more severe. The dramatic temperature fluctuations disrupt crop cycles and therefore put pressure on global food supply alongside the current grain supply issues from Ukraine.

The market implied probability of an interest rate hike from the European Central Bank (ECB) yesterday had been edging up in

the last week and ultimately proved correct as the ECB hiked by 25bps. The ECB deposit rate is now at its highest level since the ECB's creation and the last 15 months of hikes also represent the fastest pace of hikes in its history as well. It was however a closer call than previous meetings with President Lagarde pointing to a 'solid majority' within the committee backing the hike which feels softer than the traditional 'overwhelming' majority for other hikes. The ECB also raised its inflation projections for this year and 2024 with higher energy prices the main justification for this. Economic growth forecasts were revised lower with hopes for a Euro Area recovery pushed into 2024.

With the ECB revealing this incremental hike yesterday, the key question is whether this is now the peak interest rate for the cycle. President Lagarde was asked this specifically, replying that 'we can't say that' given the economic and inflation uncertainties. The market is pricing in a 45% chance of a further hike from the ECB before the end of the year but whether this transpires will be highly dependent on the evolving inflation picture.



Economic indicators (week beginning 25 September)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Eurozone CPI YoY Aug F	5.3%	5.3%	5.2%
	Eurozone CPI MoM Aug F	0.6%	0.6%	0.5%
Wednesday	United States FOMC Rate Decision (Upper Bound) 44075	5.50%	5.50%	5.50%
	United Kingdom CPI YoY Aug	7.0%	6.8%	6.7%
	United Kingdom CPI MoM Aug	0.7%	-0.4%	0.3%
	United Kingdom CPI Core YoY Aug	6.8%	6.9%	6.2%
	United States MBA Mortgage Applications 42248	--	-0.8%	5.4%
Thursday	United Kingdom Bank of England Bank Rate 44440	5.50%	5.25%	5.25%
	United States Initial Jobless Claims 42614	225k	220k	201k
	United States Leading Index Aug	-0.5%	-0.4%	-0.4%
Friday	United States Philadelphia Fed Business Outlook Sep	-1.0	12.0	-13.5
	France HCOB France Manufacturing PMI Sep P	46.2	46.0	43.6
	France HCOB France Services PMI Sep P	46.0	46.0	43.9
	Japan Jibun Bank Japan PMI Mfg Sep P	--	49.6	48.6
	Germany HCOB Germany Manufacturing PMI Sep P	39.5	39.1	39.8
	Eurozone HCOB Eurozone Manufacturing PMI Sep P	44.0	43.5	43.4
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Sep P	43.2	43.0	44.2
	United States S&P Global US Manufacturing PMI Sep P	48.2	47.9	48.9
	Japan Natl CPI YoY Aug	3.0%	3.3%	3.2%
	United States Housing Starts Aug	1437k	1452k	1283k
	United States Existing Home Sales Aug	4.10m	4.07m	4.04m
	France HCOB France Composite PMI Sep P	46.0	46.0	43.5
	United Kingdom Retail Sales Inc Auto Fuel MoM Aug	0.5%	-1.2%	0.4%
Japan BOJ Policy Balance Rate 44805	-0.10%	-0.10%	-0.10%	

Source: Bloomberg, data accessed 25 September 2023.



Economic indicators (week beginning 2 October 2023)

Day	Data Release	Consensus	Prior
Monday	Germany IFO Business Climate Sep	85.2	85.7
	Germany IFO Expectations Sep	83.0	82.6
Tuesday	United States Conf. Board Consumer Confidence Sep	105.5	106.1
	United States New Home Sales Aug	699k	714k
Wednesday	United States Durable Goods Orders Aug P	-0.5%	-5.2%
	United States MBA Mortgage Applications 44805	--	5.4%
Thursday	United States Initial Jobless Claims 45170	215k	201k
	Italy Manufacturing Confidence Sep	97.0	97.8
	United States GDP Annualized QoQ 2Q T	2.2%	2.1%
	Germany CPI YoY Sep P	4.6%	6.1%
	Australia Retail Sales MoM Aug	0.3%	0.5%
	Italy Consumer Confidence Index Sep	105.5	106.5
Friday	Japan Industrial Production MoM Aug P	-0.8%	-1.8%
	Japan Jobless Rate Aug	2.6%	2.7%
	United Kingdom GDP QoQ 2Q F	0.2%	0.2%
	Italy CPI EU Harmonized YoY Sep P	5.3%	5.5%
	United Kingdom GDP YoY 2Q F	0.4%	0.4%
	France CPI YoY Sep P	5.1%	4.9%
	United States U. of Mich. Sentiment Sep F	67.7	67.7
	Japan Tokyo CPI Ex-Fresh Food YoY Sep	2.6%	2.8%
	Germany CPI MoM Sep P	0.3%	0.3%
	Italy CPI EU Harmonized MoM Sep P	1.3%	0.2%
	United Kingdom Nationwide House PX MoM Sep	-0.5%	-0.8%
	Japan Job-To-Applicant Ratio Aug	1.29	1.29
	United Kingdom Nationwide House Px NSA YoY Sep	-5.8%	-5.3%
	United States Personal Income Aug	0.4%	0.2%
	United States Personal Spending Aug	0.4%	0.8%
	United Kingdom Mortgage Approvals Aug	47.5k	49.4k
	Germany Unemployment Change (000's) Sep	15.0k	18.0k
Canada GDP MoM Jul	0.1%	-0.2%	
United States MNI Chicago PMI Sep	47.5	48.7	
United States Wholesale Inventories MoM Aug P	-0.2%	-0.2%	

Source: Bloomberg, data accessed 25 September 2023



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2199	-0.20%	-0.20%	2.59%	6.05%
MSCI USA USD	4109	-2.96%	-2.95%	12.88%	13.82%
MSCI Europe ex UK EUR	180	-2.05%	-2.01%	7.65%	9.93%
MSCI AC Asia Pacific ex JPN USD	497	-2.30%	-2.29%	-1.67%	0.55%
MSCI Japan JPY	1453	-2.30%	-2.29%	26.27%	27.79%
MSCI Emerging Markets USD	964	-2.11%	-2.09%	0.82%	3.00%
Barclays Sterling Gilts GBP	218		0.53%		-3.29%
GOLD USD	1925	0.07%		5.55%	
WTI Oil USD	90	-0.82%		12.17%	
MSCI PIMFA Income		-0.37%	-0.35%	2.20%	4.05%
MSCI PIMFA Balanced		-0.56%	-0.54%	3.23%	5.06%
MSCI PIMFA Growth		-0.89%	-0.88%	4.62%	6.43%

Source: Bloomberg, MSCI; please see important information, data accessed 25 September 2023.

YTD denotes year to date, TR denotes total return and CR denotes capital return.



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